

## **Board of Directors Meeting**

07.17.2014

## Agenda



### 1. Organizational Matters

- Approval of June 12th Minutes
- Audit Report
- Budget
- 2. Projects in Process
- 3. Property Assessed Clean Energy
- 4. CTA 4G Distributed Antenna System
- 5. Executive Session

## **Approval of June 12th Minutes**



### **MEETING MINUTES**

RESOLVED, that the minutes of the meeting of the Board of Directors held on June 12th, 2014, in the form previously provided to the members of the Board of Directors, be and hereby are approved.

### **GENERAL**

RESOLVED, that in order to fully carry out the intent and effectuate the purposes of the foregoing resolutions, any of the Trust's officers be, and each hereby is, authorized to take all such further actions, and to execute and deliver all such further agreements, instruments, documents or certificates in the name and on behalf of the Trust, and under its corporate seal or otherwise, and to pay all such fees and expenses, which shall in their judgment be necessary, proper or advisable and to perform all of the obligations of the Trust in connection with the foregoing resolutions.

## **Audit Report**



## **Financial Statement Presentation**

## Presented to: Chicago Infrastructure Trust

- Ervin Rabor, CohnReznick
- Kate Ernst, CohnReznick
- Jeff Dowd, CohnReznick

### CohnReznick



Meeting the challenges.
Helping
the important
work continue.

As a top 10 national public accounting firm, CohnReznick LLP serves the not-for-profit industry with accounting, tax and business advisory services to help build efficiency into financial management processes. We have been associated with not-for-profits since our inception, and currently serve more than 500 every year.

By providing clients with forward thinking advice and insights, quality services and year-round involvement, CohnReznick is helping not-forprofits successfully fulfill its mission; that not only benefits them, it benefits us all.

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### **Auditor Communications**



To the Board of Directors
Chicago Infrastructure Trust

We have audited the financial statements of Chicago Infrastructure Trust for the period ended December 31, 2013 and have issued our report thereon dated July 17, 2014. Professional standards require that we provide you with information about our responsibilities under general accepted accounting standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 28, 2014. Professional standards also require that we communicate to you the information in the following pages that is related to our audit.

July 17, 2014



### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Chicago Infrastructure Trust ("CIT") are described in Note 2 to the financial statements. We noted no transactions entered into by CIT during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.



### **Management Judgment and Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.



### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Disagreements with Management**

For purposes of this communication, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such material misstatements were noted.

In addition, none of the uncorrected misstatements detected as a result of the audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Management has passed on these adjustments, which are listed in the packet provided.



### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management on an on-going basis. These discussions occur in the normal course of our professional relationship and there were no matters of significant discussion that affected our retention as CIT's auditors.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter.

## **Statement of Financial Position**



	2013	
Current assets		
Cash	\$	32,335
Grants receivable		77,806
Prepaid expenses		1,525
Total assets	\$	111,666
Current liabilities		
Accounts payable		87,849
Accrued expenses		22,775
Deferred revenue		1,042
Total current liabilities		111,666
Net assets		
Unrestricted net assets		77,806
Temporarily restricted net assets		(77,806)
Total net assets		<del>-</del>
Total liabilities and net assets	\$	111,666

## **Statement of Activities**



	2013
Revenue	
Grant revenue	\$ 522,751
Expenses	
Bookkeeping fees	40,205
Committee expenses	17,052
Computer and software	12,136
Employee taxes and benefits	28,686
General and administrative	12,900
Insurance	38,444
IT support	29,500
Office supplies and expenses	14,683
Professional fees / consulting	89,040
Salaries and wages	168,039
Telephone and internet	4,041
Travel and meals	19,275
Website design	48,750
Total expenses	 522,751
Change in net assets	-
Net assets, beginning of period	-
Net assets, end of period	\$ -

# Independent Auditors' Report On Additional Information



To the Board of Directors
Chicago Infrastructure Trust

Our report on our audit of the financial statements of Chicago Infrastructure Trust as of December 31, 2013 appears in the financial statements. The audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The additional information presented in this report is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

July 17, 2014

## **Approval of Audit Report**



WHEREAS, the Chicago Infrastructure Trust (the "<u>Trust</u>") has obtained from Cohn Reznick a draft report on its audit of the Trust's fiscal year 2013 and partial fiscal year 2012 financial statements (the "<u>Audit Report</u>");

NOW, THEREFORE, BE IT RESOLVED, that the Audit Report be and hereby is accepted and approved.

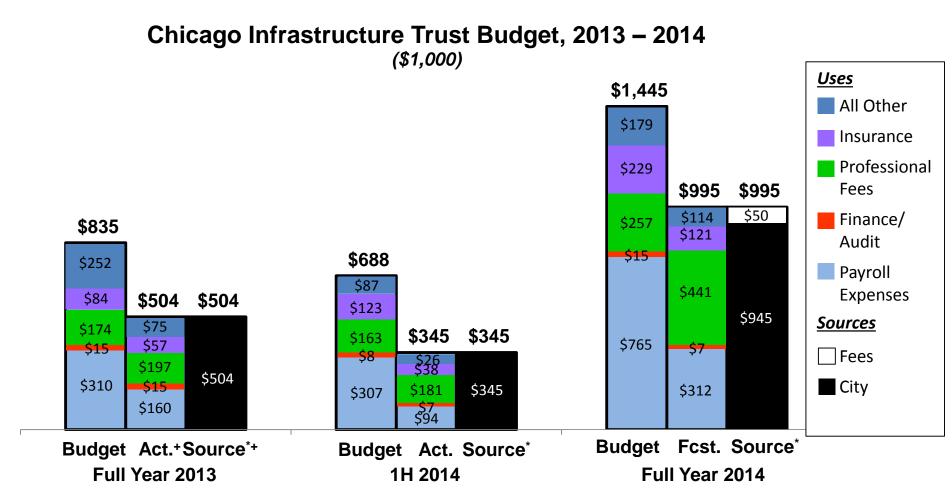
# Statement of Financial Position As of June 30, 2014



ASSETS	Total	LIABILITIES AND EQUITY	Total
Current Assets	Liabilities		
Bank Accounts		Current Liabilities	
1005 Checking	140,055.51	Accounts Payable	
1007 Visa Debit Account	9,905.00	2000 Accounts Payable (A/P)	137,144.55
1010 Project Account	50,634.42	Total Accounts Payable	\$137,144.55
		Other Current Liabilities	
Total Bank Accounts	\$200,594.93	2010 Accrued Expenses	14,077.30
Accounts Receivable		2100 Payroll Liabilities	
1100 Accounts Receivable (A/R)	14,077.30	2101 Federal Taxes (941/944)	6,870.63
Total Accounts Receivable	\$ 14,077.30	2102 IL Income Tax	943.98
Other current assets		Total 2100 Payroll Liabilities	\$ 7,814.61
1205 Prepaid Expenses	34,913.75	2500 Deferred Revenue	105,549.52
Total Other current assets	\$ 34,913.75	<b>Total Other Current Liabilities</b>	\$127,441.43
		Total Current Liabilities	\$264,585.98
Total Current Assets	\$249,585.98		
Fixed Assets		Total Liabilities	\$264,585.98
1500 Fixed Assets		Equity	
1501 Software License - Tabware	65,000.00	3100 Net Assets	0.00
Total 1500 Fixed Assets	\$ 65,000.00	Net Income	50,000.00
Total Fixed Assets	\$ 65,000.00	Total Equity	\$ 50,000.00
TOTAL ASSETS	\$314,585.98	TOTAL LIABILITIES AND EQUITY	\$314,585.98

## **Budget Overview**





- · Does not reflect cash flow
- Unaudited

## Agenda

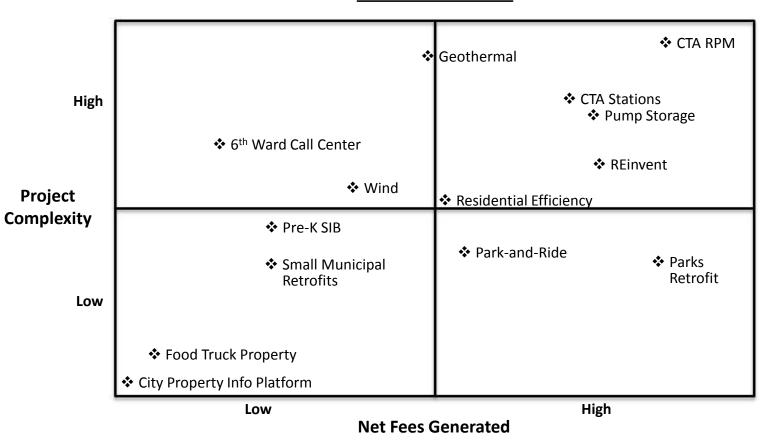


- 1. Organizational Matters
- 2. Projects in Process
  - Project Pipeline
  - Update on Select Projects
- 3. CTA 4G Distributed Antenna System
- 4. Property Assessed Clean Energy
- 5. Executive Session

## Following Initial Strategy Review, Numerous Discarded Ideas



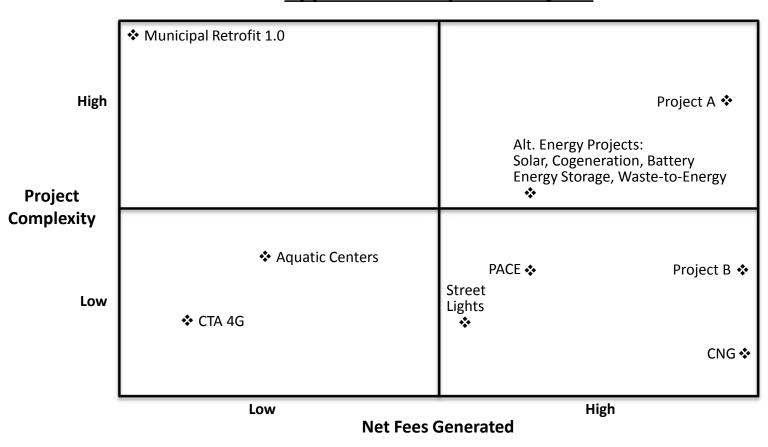
### <u>Chicago Infrastructure Trust Project Matrix</u> <u>Discarded Ideas</u>



## The Trust has a \$1B+ Project Pipeline



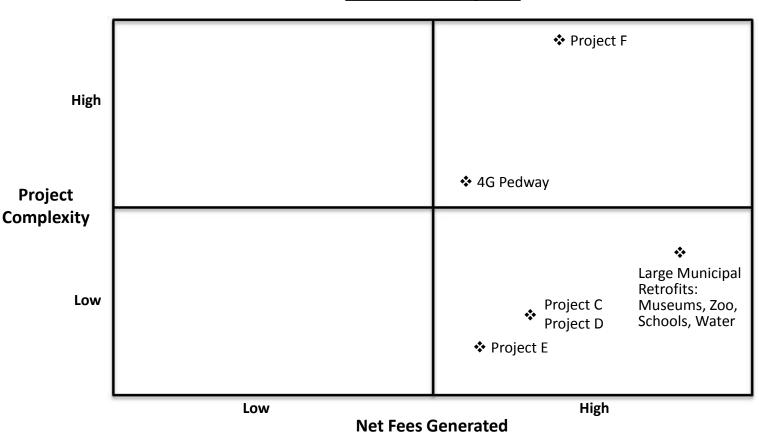
## Chicago Infrastructure Trust Project Matrix Approved or Proposed Projects



# And Numerous Potential Projects Requiring Evaluation



### <u>Chicago Infrastructure Trust Project Matrix</u> <u>Potential Projects</u>



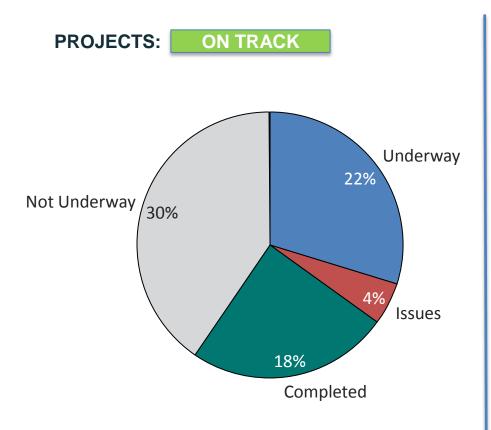
## **Energy Services Agreement (ESA) Transaction Completed**



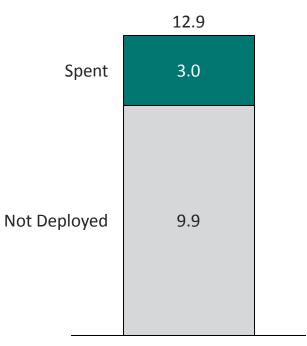
Attribute	Description
Benefits	<ul> <li>60 buildings</li> <li>18% reduction in energy use annually in these buildings</li> <li>5M square feet</li> <li>Libraries, police, health care, unique facilities across 36 wards</li> <li>Creates 108 jobs</li> </ul>
Savings	• ~ \$1.4M annually
ESA (Energy Savings Agreement) structure	<ul> <li>Zero upfront and zero net cost</li> <li>Zero savings risk (save nothing, pay nothing)</li> <li>Off-credit</li> <li>City / Trust keep upside</li> </ul>
Transaction features	<ul><li>\$12.9M project cost</li><li>4.95% interest rate</li><li>15 year contract</li></ul>
MBE/WBE Participation	Consistent with City of Chicago Standards
Status	Closed, pending construction

## **Proposed Scorecard - Example**









Construction Issues: TBD

Other Concerns: TBD

## **Pool Efficiency Retrofit**



## Program description

Perform comprehensive energy efficiency upgrades for up to 141 aquatic centers managed by Chicago Public Schools and the Chicago Park District

### Catalyst

- Aquatic centers consume a substantial amount of energy, both in the form of natural gas and electricity, 24 hours a day, 7 days a week, 365 days per year in order to maintain the appropriate operating conditions
- Managing an indoor pool area is very complex and requires ongoing monitoring and adjustment between the internal and external temperatures, humidity levels, structure types, ventilation, pool water chemistry and equipment
- Obtaining the most effective equipment requires a high up-front capital cost

## CIT's Value

- CIT attracted an unsolicited proposal that includes an innovative idea as well as private sector capital and implementation
- CIT completed an Open Bidding Process (OBP) with private firms and negotiated best value, including off-credit financing
- CIT can work across City Departments and Sister Agencies to aggregate pools

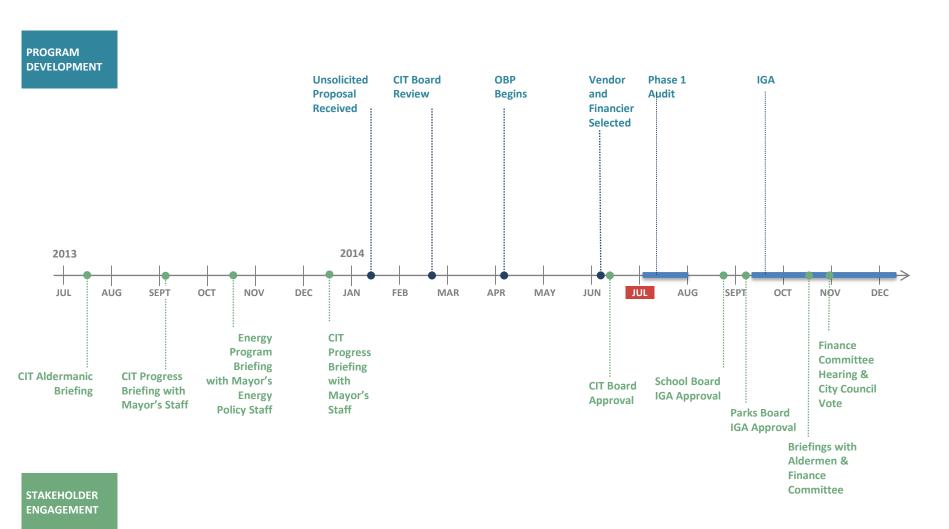


- Achieves Mayor's 2015 Sustainability Goal #4 Improve overall energy efficiency in municipal buildings by 10%
- · Reduced operating costs and enhanced reliability of operations
- Leads by example in energy efficiency for other sectors across the city
- Demonstrates value of unsolicited proposal process



## **Development Timeline**





### Retrofit 3.0: Streetlights

### **Chicago Light Grid: Request for Information (RFI)**



## Program description

- Replace Chicago's ~400,000 Outdoor Lights with high efficiency LEDs
- Leverage lighting system as a platform to provide additional public good and City revenue opportunities
- Privately finance the project through energy and operational savings

### Catalyst

- City seeks to reduce structural costs and energy consumption
- Cost and quality of LED lights have improved dramatically in recent years, and lighting companies like Philips and others are providing lighting-as-a-service
- CDOT sponsored a "White Light LED" pilot and requested equipment demonstrations

## CIT's Value

- CIT will pursue a Lighting-as-a-Service Agreement, reducing overall City costs
- CIT will evaluate other platform opportunities for their costs and benefits and develop a business case for attractive opportunities
- · CIT will work across City Departments, Chicago Park District, and possibly CPS
- All outdoor lighting street, walkway, and traffic will be looked at comprehensively
- CIT will negotiate with LED and network control firms to provide all of the upfront capital and manage the installation process

### **Impact**

- Achieve energy savings between 50% and 80% and reduce CO<sub>2</sub> emissions
- Reduce outdoor lighting's lifecycle costs (i.e., maintenance and energy)
- · Improve ambient lighting
- Increase and enhance public good provision through platform technologies
- Create jobs

#### **BEFORE**



**AFTER** 



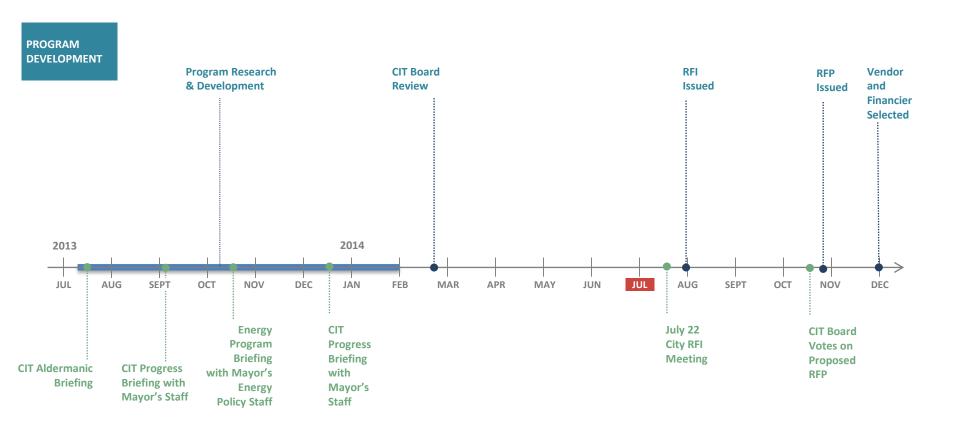


### STREET LIGHT AS A PLATFORM

- Video
- Sound
- Security
- Meter-reading
- Etc.

## **Development Timeline**







### Transportation Initiative:

## **Compressed Natural Gas**



## Program description

- Coordinate between public and private stakeholders to facilitate the construction of the largest urban public access CNG fueling infrastructure in the Country
- Lease underutilized City-owned properties to private CNG fueling providers
- Provide fleet procurement, management and fuel analysis for City fleet to maximize cost savings and pollutant emissions reductions



- Chicago has the highest gasoline and diesel prices in the Country
- City intends to increase competitiveness by lowering the cost of conducting business
- City seeking alternative revenue sources to enlarge the tax base
- City desires a reduction in greenhouse gas emissions and vehicle tailpipe emissions

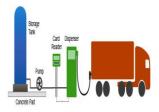


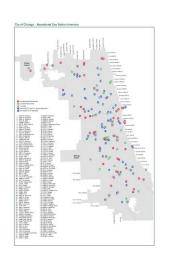
- Identify potential network of parcels for CNG fueling stations
- Provide a single, streamlined process to address land acquisition, zoning, permitting, landscaping and signage for CNG station developers
- Repurpose underutilized City property into revenue generating CNG stations
- Collaborate with 2FM to develop new alternative fuel vehicle acquisition and management plan
- Serve as catalyst between fueling providers, auto manufacturers, corporate fleets, environmental groups, retailers, City and Agencies

**Impact** 

- Lower fuel costs, reduce at pump price volatility and petroleum reliance
- Reduce the cost of vehicle ownership for local fleet companies and City fleet
- Reduce greenhouse gas emissions and tailpipe pollutants
- Enable City to achieve alternative fuel vehicle acquisition targets
- Support policy objectives detailed in the Chicago Climate Action Plan, RTA Regional Green Transit Plan, Chicago Sustainability Action Plan



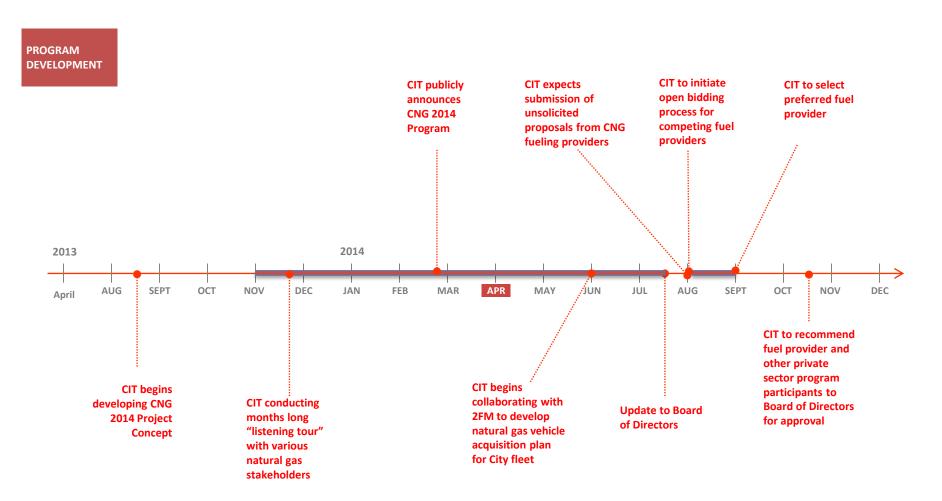




### Transportation Initiative:

## **CNG** Development Timeline





## Agenda



- 1. Organizational Matters
- 2. Projects in Process
- 3. CTA 4G Distributed Antenna System
- 4. Property Assessed Clean Energy
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# Infrastructure Trust Role in CTA 4G DAS Project



## Program description

- Obtain cost-effective financing for the construction of a Next Generation Distributed Antennae System "NG-DAS" in order to provide state-of-the-art 4G wireless service for the CTA Red and Blue line Subway Stations and Tunnels
- Negotiate long-term 4G annual licensing contracts

### Catalyst

- Mayor Emanuel has made full 4G wireless availability in Chicago's subway system a top transit policy objective
- CTA is currently negotiating with qualified respondents to design/build/install system
- The CTA currently projects to fund the entirety of the project through its annual capital program, but cannot afford it

## CIT's Value

- The Trust is identifying private financing models that will prove more cost-effective for the CTA versus paying directly out of their capital improvement budget
- The Trust will work with wireless providers in developing new partnerships as part of a 4G licensing contract with the CTA.

### **Impact**

- Provide a superior transit experience for the 360,000+ daily riders on Chicago's red and blue lines by offering wireless services capable of supporting high-speed mobile devices
- Address system safety by providing more reliable communication between CTA personnel and emergency responders.
- · Reduce capital outlays for CTA and preserve their budget dollars for other projects
- Pursue new hi-tech digital advertising platforms, including, touch screen interactive and near field communication (NFC) advertising to enlarge revenue potential for the CTA





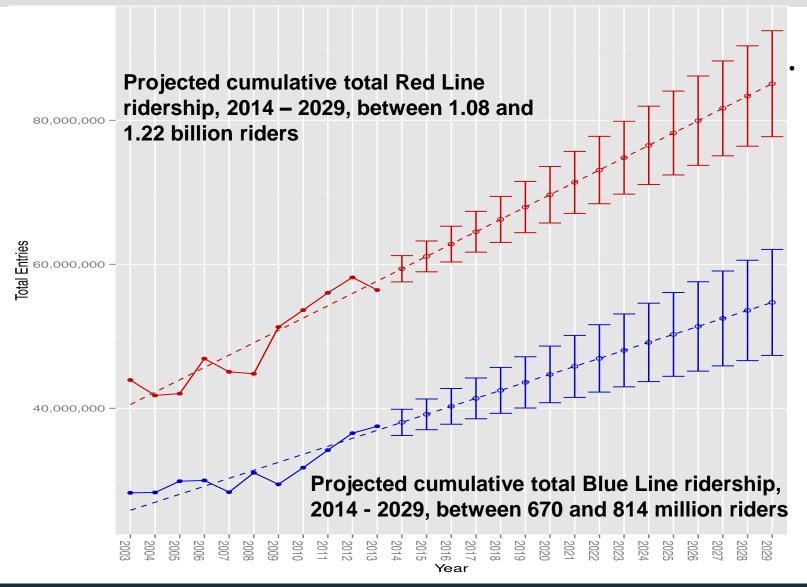
# Blue & Red Line Ridership Demographics



	Blue Line	Red Line
Average weekday entries for entire line	133,836	226,439
Average weekday entries in subway stations	26,317	52,749
Percent of riders who enter in the subway	20%	23%
Percent of riders who use the system 3+ times per week	79%	85%
Percent of riders who transfer from other lines	19%	26%
Gender	43% Male, 57% Female	46% Male, 54% Female
Ethnicity	19% African-American, 49% Caucasian, 23% Latino, 10% Other	36% African-American, 47% Caucasian, 4% Latino, 13% Other
Percent of riders with incomes above the poverty line	89%	86%
Percent of riders with incomes of \$25,000+	74%	74%

# 2003-2029 Red & Blue Line Ridership Growth

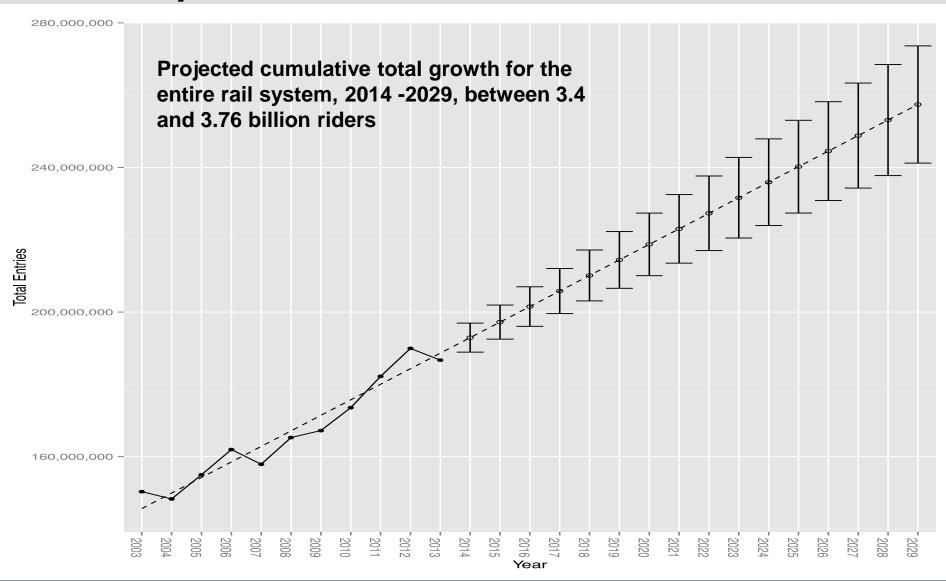




Numbers underestimate projected subway riders. Many riders switch from non-subway lines.

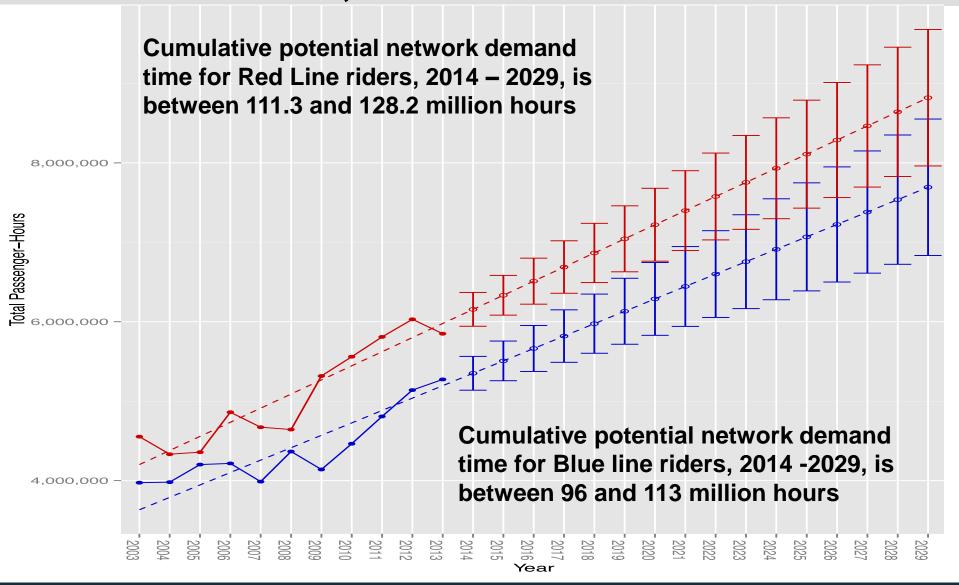
# 2003-2029 Total CTA Rail System Ridership Growth





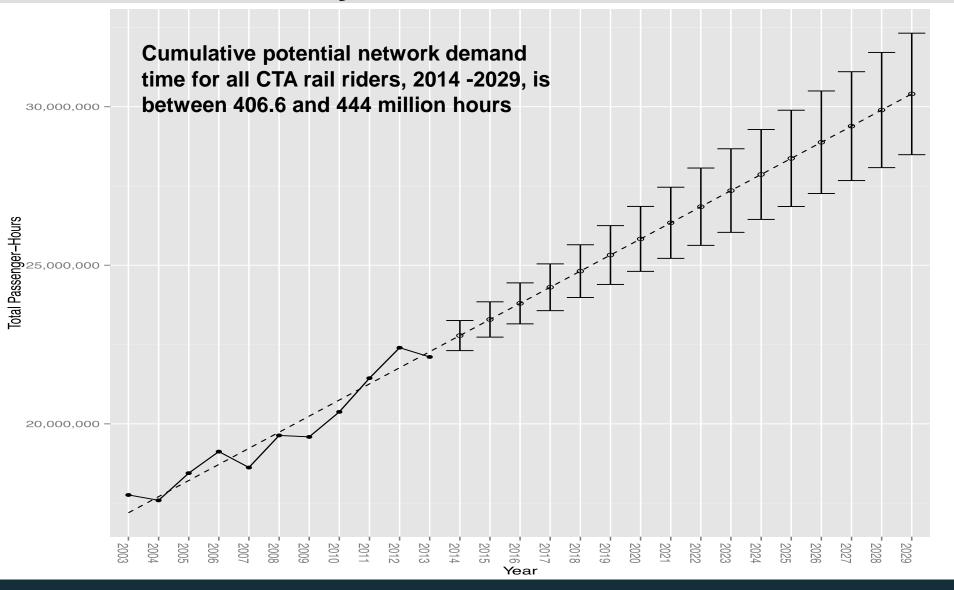
# Potential Network Demand Time for Red & Blue Lines, 2014-2029





# Potential Network Demand Time for Entire CTA Rail System, 2014-2029





# Extraordinary Business Case for 4G DAS Investment



- High socioeconomic diversity among riders
- Robust projected ridership growth, 2014 2029
- 1.7 2 billion cumulative riders on the Blue and Red Lines, 2014 - 2029
- 3.4 3.8 billion cumulative riders on the entire rail system, 2014 - 2029
- 207 241 million hours of projected cell network demand time during combined wait and travel segments

# **Existing Models/Contracts**



#### **3rd Party Host Contracts**



New York City Transit Authority NYC Subway System

- Transit Wireless is single licensee and sublicenses to wireless providers
- 10-yr term with two 5-yr renewal options
- Transit Wireless has responsibility for design, installation & maintenance at its sole cost & expense
- Monthly fees and minimum annual fees, with an annual escalation factor



Toronto Transit Commission Foronto Subway

- Transit Wireless is single licensee and sublicenses to wireless providers
- 20-yr term
- Transit Wireless has responsibility for design, installation & maintenance at its sole cost & expense
- Fixed fee payable over the course of the term

#### **Wireless Consortium Led Contracts**



New York City Transit Authority Grand Central Terminal/Metro North Railroad

- Wireless consortium granted as licensee, Verizon is lead licensee
- 10-yr term with two 5-yr renewal options
- Responsibility for design, installation & maintenance at licensees' sole cost & expense
- Monthly fees and minimum annual fees, with an annual 3% escalation factor, paid by lead licensee



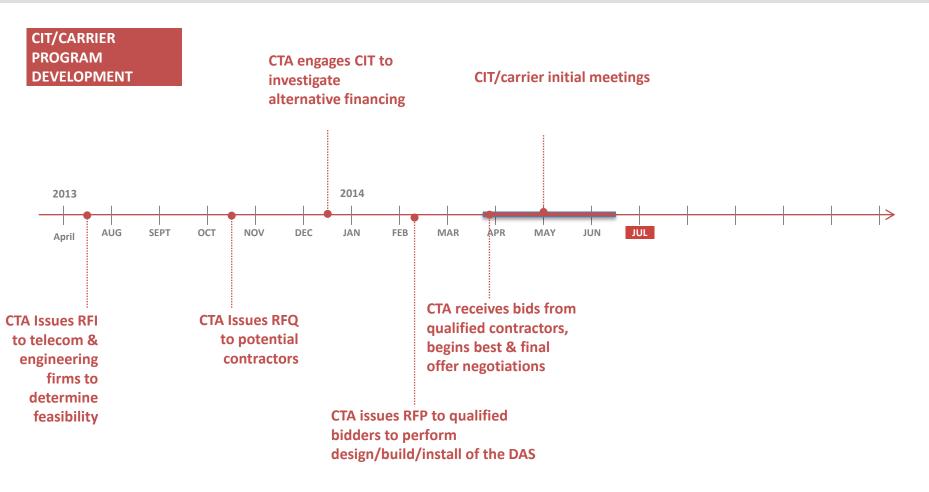
Transit Authority

Washington Metro

- Wireless provider consortium selected as licensee
- 11-yr term with two 5-year renewal options
- Responsibility for design, installation & maintenance at licensees' sole cost & expense
- · Minimum annual guaranteed fee

### **Timeline**

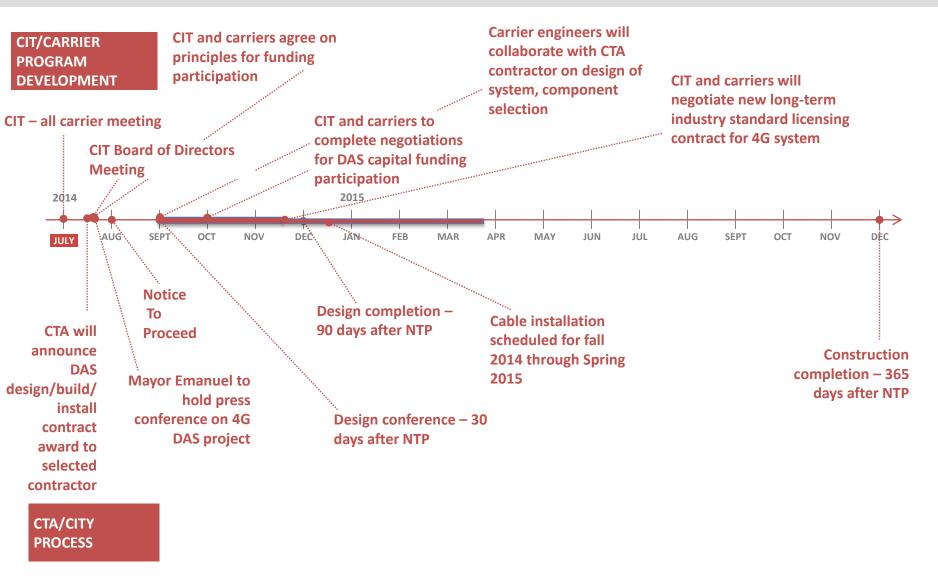




**CTA PROCESS** 

### **Timeline**

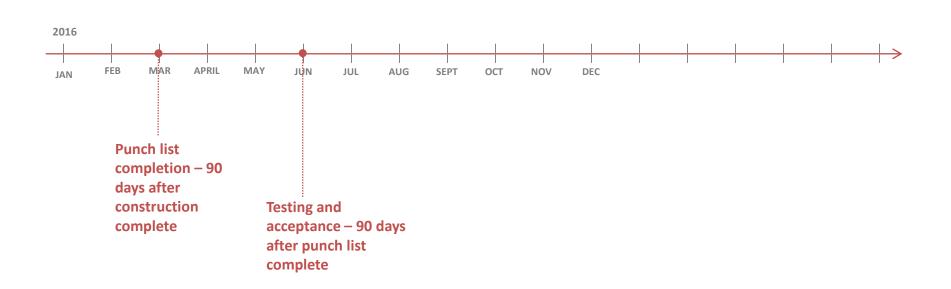




## **Timeline**



CIT/CARRIER PROGRAM DEVELOPMENT



CTA/CITY PROCESS

# All Carriers Expressed Initial Interest In Consortium Approach



Initial preference for the consortium approach.

 Carriers jointly engage CTA regarding the capital funding, design of the system and a long-term licensing contract.

# Agenda



- 1. Organizational Matters
- 2. Projects in Process
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#### Commercial PACE

#### **Commercial Property Assessed Clean Energy (PACE)**



## Initiative Description

 Implement a proven collections model for commercial clean energy finance that will rapidly increase adoption within the City's not-for-profit, commercial, and industrial sectors

#### Catalyst

- City seeks to increase competitiveness by lowering the cost of conducting business within City-limits
- City is committed to reducing greenhouse gas emissions
- Market for commercial PACE booming elsewhere, helping Chicago become a fast follower in opening market for longer-term EE and RE finance that stays with the property

#### CIT's Value

- Managing State, City, and County process to activate PACE collections
- Providing marketing and ongoing vetting of PACE projects
- Using a single, emerging financial instrument to reduce barriers and finance municipal, not-for-profit/cultural institution, commercial, and home energy efficiency projects
- Aggregating retrofit projects across the city to increase scale, improve economics, quicken pace, and heighten impact

#### **Impact**

- Achieve Mayor's 2015 Sustainability Goal #3 Improve Citywide energy efficiency by 5%
- Enables better private sector financing for private sector energy solutions without affecting City taxes or credit
- · Opens market for cost-effective capital investments that have longer paybacks
- Reduces exposure to natural gas and electricity price increases

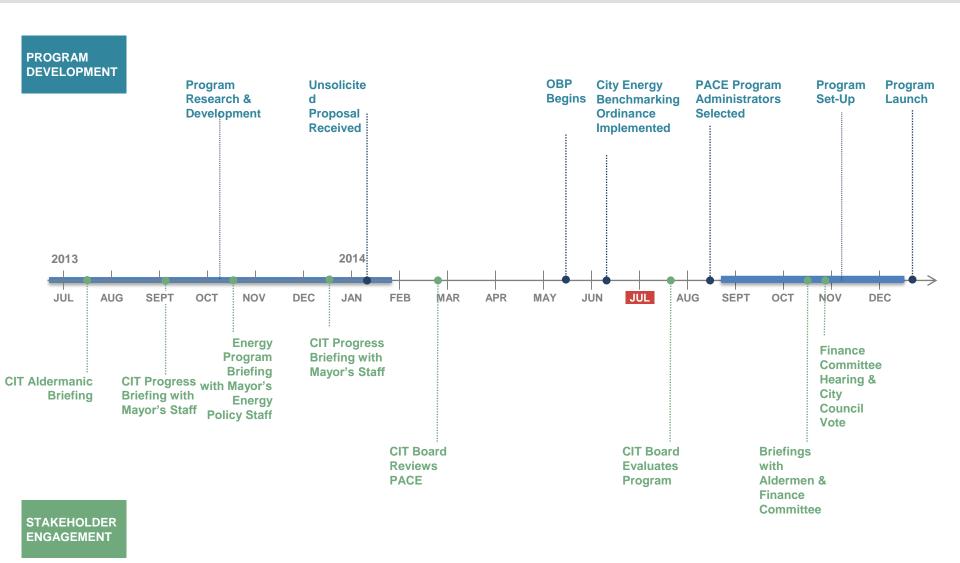






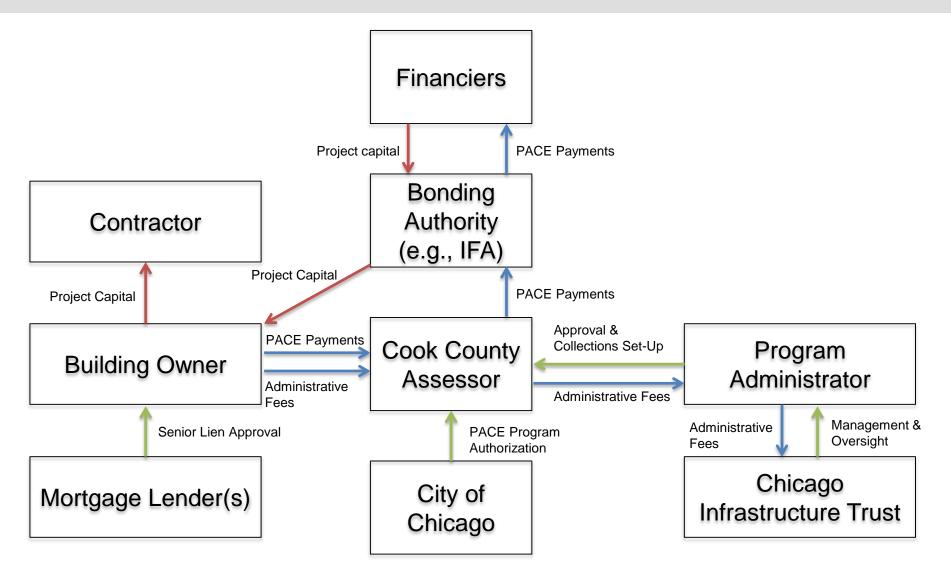
# **Development Timeline**





# CHICAGO INFRASTRUCTURE TRUST

# **PACE Transaction Structure Diagram**



## **PACE Details**

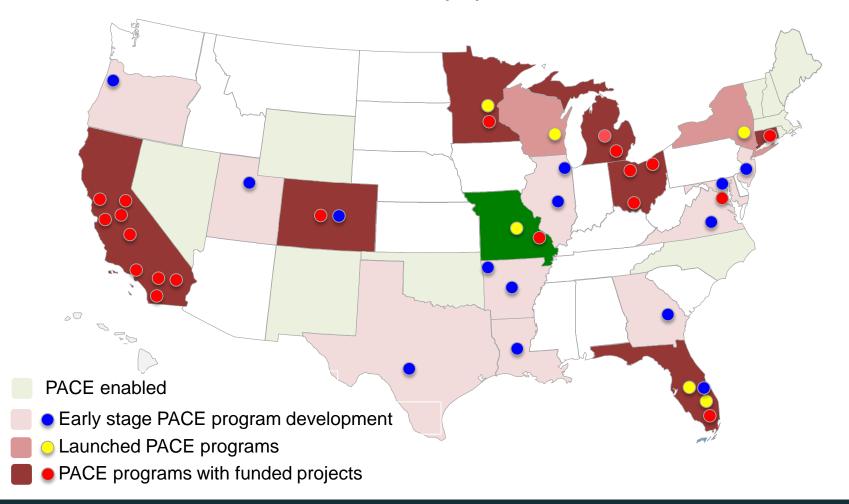


- Repayment obligation backed only by PACE assessments on individual property owners
  - Cash flow neutral to City and County, does not impact credit or balance sheet
- PACE lien takes a senior position to the mortgage
  - Transfers automatically to the next property owner in case of sale
  - Financiers are better secured in case of delinquency or default
  - Lenders willing to offer lower interest rates for longer terms
  - Mortgage lender must approve PACE lien

# **Commercial PACE Programs Today**



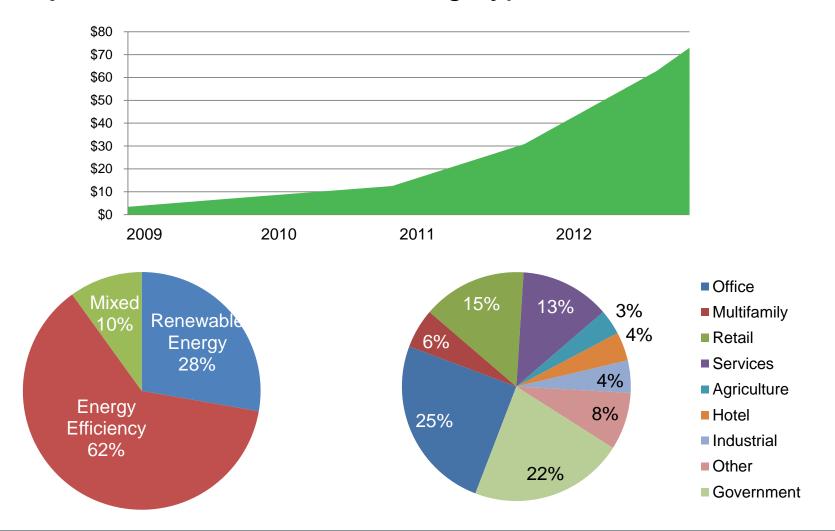
- 218 Projects Closed \$72 mil Pipeline of \$220+ mil
- 31 states and DC 80% of US population



### **PACE Market Data**



## Project Uses, Sizes and Building Types



50

### **PACE Assessment Basics**



#### Backed directly by opt-in PACE assessments on individual property owners

- Cash flow neutral to City and County, does not impact credit or balance sheet
- Also off-Balance Sheet for property owners

#### Resolves landlord / tenant split incentive problems

- Since PACE assessments are considered "property taxes," payment of the PACE assessment generally flows to the same party that benefits from the cost savings (in most triple net or full service gross leases)
- Modified gross leases often need to append an energy-aligned lease provision first

#### PACE lien takes a senior position to the mortgage

- Transfers automatically to the next property owner in case of sale
- Financiers are better secured in case of delinquency or default
- Lenders willing to offer lower interest rates for longer terms
- Mortgage lender must approve PACE lien
  - 81 banks have approved senior PACE liens on their properties, and the list continues to grow
  - Ben Jackson, VP of Government Relations for the Illinois Bankers Association, confirmed his group's support for a commercial PACE program during a recent legislative meeting with the Illinois Attorney General's Office

# **Chicago PACE Segmentation**



	Commercial / Industrial				Not-For- Profit	Government	Residential
	Class A	Class B	Class C	Class D			
Owner- occupied • NOI↑ • Off BS	✓	✓	✓	✓	Confirming, but likely		X
Leased* • Lower bills • Off BS	✓	✓	<b>√</b>	<b>√</b>		yes	

<sup>\*</sup> Since PACE assessments are considered "property taxes," payment of the PACE assessment generally flows to the same party that benefits from the cost savings (in most triple net or full service gross leases). Modified gross leases often need to append an energy-aligned lease provision first.

# Hilton Los Angeles/Universal City, CA



## \$7M Energy & Water Efficiency – Multi Project



"PACE is the only funding mechanism that is credible in providing verifiable information to our investors, and therefore is the ideal tool for us to move forward in becoming the gold standard in sustainable hotels."

Mark Davis, Hilton Los Angeles/Universal
 City General Manager.

